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SUBJECT: TIN INDUSTRY SEEKS USG SUPPORT FOR
SUPPLY CHAIN INITIATIVE

¶1. (SBU) Summary: The global tin association ITRI is actively working to seek support, both in the DRC and with international donors, for its Tin Supply Chain Initiative aimed at enhancing due diligence in the minerals trade in eastern DRC. The initiative comes in response to continuing pressure by a number of international NGOs, as well as the UN Group of Expert's November 2008 recommendations, later formally encouraged in UN Security Council Resolution 1857, that exporters and consumers of Congolese mineral products conduct due diligence on their suppliers. ITRI briefed econoffs on October 7 on the initiative and key challenges for its implementation. While Phase I of the initiative, which addresses the final stage of the supply chain, has been launched, ITRI noted several outstanding issues that need to be resolved before implementation of the second and third phases. In particular, ITRI stressed the need for an independent body to certify mining sites as well as have oversight responsibility for the issuance of security seals and oversee the planned data center. ITRI is requesting USG endorsement of the Tin Supply Chain Initiative to help ensure GDRC buy-in, encourage other donor support, and diffuse NGO criticism. End Summary.

THE TIN SUPPLY CHAIN INITIATIVE

¶2. (U) ITRI's Tin Supply Chain Initiative involves a three-phase system aimed at implementing a comprehensive due diligence and traceability program. Phase I focuses on due diligence on the formalized end of the supply chain (including traders, known in French as "negociants," and export companies, known in French as "comptoirs") through documentary evidence including ensuring the legal status, legitimacy, and export authority of traders and comptoirs, as well as the issuance of Certificates of Origin by comptoirs. ITRI members introduced Phase I of the system in July. Phase II focuses on the traceability and verification of the mineral supply from the mine site to the traders and comptoirs, utilizing a certificate of origin back to the mine site. ITRI hopes to implement Phase II in 2010. Phase III focuses on the entire supply chain with a comprehensive due diligence system covering traceability and business ethics, with verification provided through certification combined with supplier assessment through the supply chain. Implementation of Phase III is anticipated by ITRI in 2010 or 2011.

¶3. (SBU) ITRI noted to Econoffs that Phase I puts much of the onus on the comptoirs regarding verification of the supply chain. They stated, however, that they had received strong cooperation and support from the comptoirs since they understand that their continued business depends on the successful implementation of a due diligence system. Likewise, the smelters (who are members of ITRI) noted their strong commitment to full implementation of the system. The tin industry has seen increased engagement from the negociants (traders), but even greater support and buy-in will be required as ITRI moves to implement Phase II.

¶4. (SBU) Comment: The supply chain for the minerals trade from the

point of purchase from comptoirs in Goma into international markets is well understood and largely formalized. There is much less visibility in the supply chain, however, from both the mine (point of origin) to the point of sale and along the chain of custody. The largely artisanal structure of much of the DRC's mining sector, combined with limited or non-existent infrastructure and continuing insecurity in some parts of the country create additional challenges to the effective monitoring and control of the minerals trade. End Comment.

CHALLENGES FOR PHASE II AND III IMPLEMENTATION

15. (SBU) ITRI noted that implementation of Phase II will present greater challenges than that of Phase I since it will address the much less formalized aspect of the supply chain, from the mine to the "negociant." According to ITRI, they have tried to address in Phase II the inherent difficulties of implementing a monitoring and verification system starting at the mine sites by creating a system that would allow tracking of all minerals through the subsequent supply chain. Specifically, the system calls for a mine identification/paper tracking system (certificate of origin), accompanied by a unique code attached to each bag exiting a mine site in the form of a security tag or seal, to accompany the product at all stages of transport. Key to the process will be the establishment of a data center to track the flow of the product, which will be made possible due to the unique reference numbers for each bag and security seals.

16. (SBU) ITRI highlighted several key challenges for the implementation of Phases II and III. First, the system calls for the identification or certification of "clean" (e.g., conflict free)

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mine sites. ITRI stated that the industry was not in a position to make this determination, noting that both the criteria and mechanism used to certify sites remained outstanding questions. Rather, ITRI is seeking an international body, perhaps led by MONUC but also including industry, NGOs, the GDRC and industry, to play this role. In addition, ITRI would like an independent body to oversee the control and distribution of the control seals. Finally, ITRI is seeking an independent body to oversee the data center.

17. (SBU) COMMENT: The GDRC (specifically, the Ministry of Mines) has indicated its support for ITRI's initiative. A key aspect of current GDRC efforts to better control and monitor the minerals trade in eastern DRC includes the establishment of "buyers' centers" (centres de negoce, in French), which the GDRC believes will increase the control and traceability of minerals from the mines to export. ITRI is working closely with the Ministry of Mines to ensure that their system both complies with the DRC's 2002 Mining Code and complements GDRC efforts. At the same time, the implementation of the ITRI's Tin Supply Chain Initiative presents a number of key challenges that have yet to be resolved. Key among these is what body will actually have responsibility for the independent verification of documentation and certification of sites. This challenge has been highlighted in recent criticism of ITRI's initiative by NGOs, led by Global Witness. ITRI is seeking USG endorsement for the supply chain initiative in part to help counter negative press from NGOs.

18. (SBU) Comment continued: While these are serious issues that will need to be addressed before an effective due diligence and traceability can be fully implemented, it is hardly the only hurdle. The very nature of the DRC's mining sector, characterized by artisanal miners and limited government control of mining sites, presents challenges for both the industry and government. While a rigorous due diligence and traceability process is possible, it would require the presence of inspectors and monitoring staff at the mine site, along the transportation corridor and up to the point of sale, and a high degree of material and technical support to manage. At the moment, the GDRC simply does not have the resources or capacity for such a presence. Post believes that the Ministry of Mines and ITRI are both sincere in their efforts to improve the

control, monitoring and traceability of the minerals trade in eastern DRC, though additional resources, political commitment and coordination will remain key to the successful of any initiatives. We would welcome the Department's views on ITRI's initiative. End comment.

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